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**Global Agenda: Canada's Foreign  
Policy and the Environment**



# GLOBAL AGENDA

CANADA'S FOREIGN POLICY AND THE ENVIRONMENT

• SPRING 1993 •

## *Environmental Issues in Canadian Foreign Policy*

**H**ow Canadians view environmental issues continues to change — from primarily national and transboundary to distinctly international and global. Just as peace and security are necessary goals, the dangers of a deteriorating environment are now broadly recognized as a global priority.

The premise of Canada's environmental foreign policy is that global environmental problems are already affecting the well-being of Canadians. Canadian foreign policy, therefore, must build on domestic environmental policy and on progress made in our environmental relations with the United States — on acid rain and other issues — to deal with the global impact of environmental change.

Environmental issues influence virtually every aspect of foreign policy:

- Prosperity and competitiveness are directly affected by a variety of factors, including the depletion of marine resources and the establishment of international regimes to deal with greenhouse gas emissions.
- Development assistance is undermined if growth in developing countries is constrained by environmental deterioration.
- Mass migration and perhaps even conflict may result from a depleted resource base, or from severe natu-

ral events aggravated by environmental change.

- Issues, like nuclear safety and disposal of nuclear waste, show that the environment is already an integral component of global security.
- A new export market is emerging for environmentally sound products and environmental services and technologies.

In short, the environment is a major factor pervading foreign policy preoccupations, such as bilateral and multi-lateral relations, development, security, trade policy and international finance. What is new is the recognition that solutions to our environmental problems require broad international co-operation. The 1992 Earth Summit and the agreements adopted there were an important milestone in shaping the global agenda.

Canada is concentrating its environmental foreign policy on four basic priorities.

### **• Strengthening international organizations**

Strong international organizations are an essential starting point for multi-lateral environmental initiatives, the development of international environmental law and environmental research.

### **• Pursuing sectoral priorities**

Internationally agreed forest management practices and the protection



of marine resources, especially fisheries, will contribute significantly to global progress toward sustainable development.

### **• Expanding bilateral environmental relations**

Beyond the United States, specific countries have a direct impact on Canada's environmental expertise, or are partners in the pursuit of common environmental objectives. Also, regional co-operation, such as that among Arctic countries, is increasingly important to the health of fragile ecosystems.

### **• Implementing the Conventions**

Canada ratified the Conventions on Biological Diversity and Climate Change on December 4, 1992. Given the pace of ratification in other countries, we expect the Conventions to come into force in 1994. These are among the first legally binding instruments that will provide global environmental benefits if successfully implemented.

Perhaps the most important institutional follow-up to decisions taken at the Earth Summit will be the effective operation of the new UN Commission on Sustainable Development. As in Rio, Canada intends to take a leading role as a member of the Commission to help forge the shared solutions of the future. How we frame solutions today will be critical to the well-being of generations to come. 



# A Course for the Future

By Arthur H. Campeau, Q.C.

*Canada's Ambassador for Environment and Sustainable Development*

The Commission on Sustainable Development (CSD) was created by last fall's session of the UN General Assembly to ensure and review the implementation of Agenda 21 and other agreements adopted at Rio's Earth Summit, and to enhance the role of the UN and all its bodies in the environmental and developmental sphere.

Its place in the UN system is as a functional commission of the Economic and Social Council, similar in structure and procedure to bodies such as the UN Commission on Human Rights. It is an intergovernmental body of 53 UN member states, elected for two-year terms. The Commission, headquartered in New York, will meet for the first time from June 14 to 25, 1993.

At the organizational meeting held in February 1993, Canada was elected to the CSD, and a Bureau for the CSD was also established. The Bureau is chaired by Ambassador Razali of Malaysia, who played an active role at the UN Conference on Environment and Development (UNCED) and at the last UN General Assembly. As a Vice-Chair of the Bureau over the next year, I will work closely with Ambassador Razali in moving forward the work of the Commission.

## Developing a Blueprint

The CSD's priority for its first year of operation is to build a practical workplan for the future. To achieve this, it will be necessary for the CSD to set guidelines for the information required from governments, other UN organizations and groups outside of the UN; develop methods of opera-

tion for the future work of the Commission; explore ways and means of assisting countries in preparing national action plans; and determine how the review of Agenda 21 is best handled. Agenda 21 and the other Rio documents would be divided by theme into "clusters" of issues. Some clusters would be looked at every year, while others would come up for discussion at least once before 1997. A general review of all clusters is planned for 1997, the fifth anniversary of UNCED.

### Proposed "Clusters"

- Critical elements of sustainability
- Financial resources and mechanisms
- Education, science, the transfer of environmentally sound technologies, and co-operation and capacity building
- Decision-making structures
- Role of major groups, including other UN agencies and non-governmental organizations (NGOs)
- Health, human settlements and fresh water
- Land desertification, forests and biodiversity
- Atmosphere, oceans and all kinds of seas
- Toxic chemicals and hazardous wastes

Each annual session of the CSD will include a high-level meeting of Ministers to provide continuing and direct political involvement in setting the direction and priorities for the Commission and to consider emerging policy issues. It is hoped that the first such high-level meeting will take place June 23 and 24, 1993.

## Canada's Priorities

As work progresses on the key issues identified by the CSD, Canada

will work to ensure that our priorities are considered and integrated into the Commission's recommendations and reports. Our goals build on the commitments that Canada made at the Earth Summit. They are:

- to encourage the development of national reports and plans;
- to ensure transparency in the Commission's work by involving indigenous, business and scientific groups;
- to provide impetus for the development of new international law;
- to build co-operation on the management, conservation and sustainable development of all types of forests; and

- to support the work of the UN Conference on High Seas Fishing.

Canada is working particularly hard to ensure that the voices and opinions of the broad range of NGOs will be distinctly heard by the CSD. Canada was very supportive of the involvement of NGOs in the UNCED process and continues to support the need for NGO involvement in the work of the Commission.

## Framework for the Future

The Commission on Sustainable Development is charged with bringing to life the agreements adopted at UNCED. Its capacity to meet the goals set for it will hinge on how much we — international organizations, national governments, NGOs, indigenous groups, business and others — invest in it. First, we must identify its objectives and actions, as well as set firm guidelines and benchmarks to measure its performance. Second, we have to accept the obligations that these objectives and deadlines will mean for us, its constituents and members. This will build the foundation for a serious and credible international body able to give practical meaning to the important commitments made at UNCED. 

# Canada and Mexico

## • Working Together on Environmental Projects •

**C**anada is working with Mexico to strengthen their environmental monitoring and enforcement practices. Through the *International Partnerships Program* under Canada's Green Plan, \$1 million has been pledged to Mexico for the second consecutive year.

The projects will continue to focus primarily on training in the areas of compliance monitoring, the enforcement of environmental regulations, the management of hazardous substances, the treatment of wastewater effluents, air pollution control and environmental impact assessment.

Canadian and Mexican officials are currently defining the scope of the projects for the second year, keeping in mind Mexico's environmental priorities, the need to strengthen their capabilities in the enforcement of environmental laws and regulations, and Canada's desire to promote its own environmental expertise.

In 1992, 21 projects in Mexico received funding from Canada. These included a mobile laboratory for on-site measuring of industrial and municipal emissions polluting the air, ground or water (see sidebar), and the creation of regulations and environmental protection plans for companies involved in high-risk activities. The 1992 explosion in the city of Guadalajara has led Mexico to intensify its activities to prevent accidents of this nature from happening again. Canadian specialists have also met with senior staff of Mexico's Secretariat of Social Development and Ecology (SEDESOL) to assist them with the implementation of comprehensive environmental audits and to provide training for SEDESOL staff.

The International Partnerships Program was created in 1991 as part of the Green Plan and will run until 1997. Its aim is to advance Canada's environment and sustainable development interests in the international arena through multilateral, bilateral and commercial partnerships that fit with Canadian priorities. Its purpose is twofold: to assist developing nations to achieve their environmental objectives, and to expand market opportunities for Canadian companies offering services and products in these sectors.

In Mexico, Canadian environmental companies have expanded into a fast-growing market and have demonstrated impressive expertise. In fact, their successful efforts have led to further contracts with the Mexican government, some through funding provided to Mexico by the World Bank.

Canada and Mexico have a history of co-operation on environmental issues. In 1988, they joined with the United States to sign a Memorandum of Understanding on Migratory Birds and their North American Habitats. In 1990, Canada's Prime Minister and Mexico's President signed the Canada-Mexico Environmental Co-operation Agreement to plan and co-ordinate joint projects, and provide environmental and commercial benefits to both countries.

The environmental projects that Canada and Mexico are working on today and in the future reflect shared priorities and open the door to future collaboration between the two countries, primarily in the private sector. The partnerships developed also contribute to Canada's commitment to building a strong environmental industry and assisting Canadian companies in foreign markets. 

## Canadian Mobile Labs Fight Pollution

To support Mexico in its fight against pollution, Canada has provided it with a mobile laboratory that can conduct on-the-spot inspections of gaseous and liquid effluents, analyze hydrocarbon, carbon monoxide and carbon dioxide emissions, detect radiation and monitor air quality.

The mobile lab will aid the Mexican Attorney-General for the Environment in its routine inspection of industries, enabling it to measure emissions polluting the air, ground or water. The lab will also help to monitor minimum environmental standards, and the findings will assist in the development of corrective measures for industries not meeting these standards. The mobile lab is equipped to detect and analyze specific trace contaminants that result from industrial processes.

Built by Malley Industries of Moncton, New Brunswick, the lab is outfitted with specialized equipment supplied by Caledon Control Ltd. of Mississauga and R.A. Kirby Sales of North York, Ontario.

# Sustainable Development

## • Inspiring a New Global Partnership •

**A** strange thing happened on the way to the June 1992, UN Conference on Environment and Development (UNCED): governments, industry leaders and grassroots activists — more accustomed to polarized argument than constructive debate — took a few cautious steps away from their entrenched positions and discovered common ground in the idea of sustainable development.

In their quest to define and implement a sustainable form of development, UNCED participants began to explore a new way of working together, one built on openness, inclusion, a broad base of knowledge and greater public participation in decision making — a relationship that "launched a new process of planetary management."<sup>1</sup>

While Rio did not — could not — provide instant solutions to the planet's economic and environmental problems, the value of hearing all stakeholders' voices came to be realized. Thus, not only was sustainable development established as a global goal at UNCED, but the seeds for a partnership process, crucial to its realization, were also sown. A process, which in the words of Willy Brandt, recognizes that "the shaping of our future is much too important to be left to governments and experts alone."<sup>2</sup>

It is that process, and the concept from which it arises, that will be explored here, for few terms have aroused as much interest, debate, misunderstanding and even scepticism as sustainable development.

**"SUSTAINABLE DEVELOPMENT ... unites virtually all human concerns: for security, a nourishing environment, economic progress, democracy, international co-operation and a safe future for our children. Thus is created a powerful global partnership, which has never before been possible."**

*From a statement by the World Commission on Environment and Development, London, April 24, 1992*

### What is sustainable development?

In 1987, The World Commission on Environment and Development (WCED), called for "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."<sup>3</sup> The WCED submitted that such "sustainable development" was the means to resolve both the environmental and developmental threats being faced by all countries. In the ensuing years, sustainable development has not only entered into common parlance, it has been endorsed by UN agencies, national governments, multinational corporations and non-governmental organizations (NGOs) alike.

Popularity aside, the concept has not gone unchallenged. Sustainable development has been criticized as an oxymoron, unachievable, or a new way to justify the status quo.

All three arguments might hold true if we were to define "develop-

ment" purely as "growth" or the infinite quantitative expansion of the economy. International models of development have changed considerably over the last few years, and today most participants in this debate recognize that development must be both qualitative and quantitative. The term "sustainable development" embraces both concepts.

Sustainable development regards quantitative growth — measured by such indicators as gross national product and per capita income — as only one element in the economic health of a nation. Of equal importance are such qualitative factors as life expectancy, literacy, wealth distribution and environmental integrity.

An economy based on sustainable development seeks to maintain its natural resource base, pursuing economic progress through adaptation and improvements in knowledge, organization, technical efficiency and wisdom.<sup>4</sup> When

1. Roche, Douglas, *A Bargain for Humanity: Global Security by 2000*, Edmonton, 1993.

2. Brandt, Willy North-South: *A Programme for our Survival*, 1981.

3. The World Commission on Environment and Development, *Our Common Future*, Oxford University Press, 1987.

4. International Union for the Conservation of Nature/United Nations Environment Programme/World Wildlife Fund, *Caring for the Earth: A Strategy for Sustainable Living*, 1991.

development reflects these standards, it can be both sustainable and capable of solving our most pressing economic, ecological and social problems.

After decades of supporting the development-as-growth model, the major international financial institutions are now reaching this same conclusion. The World Bank stated, in its 1992 World Development Report:

"Development is about improving the well-being of people. Raising living standards and improving education, health and equality of opportunity are all essential components of economic development. Ensuring political and civil rights are broader development goals. Economic growth is an essential means for enabling development but in itself is a highly imperfect proxy for progress."<sup>5</sup>

By favoring a process-led approach over those focused primarily on end products, sustainable development is ideally suited to the integration of economic and environmental goals. A more useful definition for sustainable development may be:

*"Improving the quality of life while living within the capacity of supporting ecosystems."<sup>6</sup>*

### What do we do differently?

As a process, sustainable development has several distinguishing characteristics: based on a long-term perspective, it tends to encourage diversity and pluralism; it promotes equity and justice within

countries (regardless of social class and gender) and among countries (North and South); and, taking a holistic approach to problems, it functions best in a participatory, partnership milieu.

A high degree of trust is also essential. The message from UNCED is that, where trust between participants is not always possible, trust in the process is. By focusing on values and common goals, the partnership process takes participants out of traditional spheres of interest and responsibility and into a search for solutions.

Bridges between government, industry, environment and development NGOs and a plethora of other interests can thus be built by concentrating not on the point of view that each stakeholder brings to the table but on their shared objectives, allowing all participants to become valued "partners."

Attempts to build such a partnership process in Canada's preparations for UNCED were encouraging. By the time of the conference, environment and development NGOs, women's organizations, indigenous, labour and youth groups, and business and industry were not only represented on the official delegation but were helping to frame Canada's positions.

These partnerships by no means died away after Rio. In Canada, a national stakeholders' group, comprised of representatives from every major sector of society, agreed to respond to the commitments of UNCED. They have come together to develop national, sectoral and community plans for a sustainable future.

Similar Canadian efforts to promote non-governmental participation

in international fora, most notably at the UN Commission on Sustainable Development, form part of the broader global trend characterized recently by UN Secretary-General Boutros Boutros-Ghali as "a new, more participatory, people-centred way of conducting international affairs."<sup>7</sup>

### Designing the future

Resolution of contemporary global problems in virtually any sphere — economic, trade, social, development or political/security — now requires a greater degree of broad international agreement and commitment. Partnership and co-operation among states is now all the more important when dealing with problems that ultimately affect everyone. For example, climate change and biodiversity loss cannot be stemmed by one powerful nation, or even a bloc of nations.

In this new era of international diplomacy, the ability of active middle powers like Canada to shift the process from "the old game of concessions grudgingly extracted in an atmosphere of ill will"<sup>8</sup> to one of global partnership, may well be the deciding factor in designing the future.

Sustainable development offers the prospect of protecting the environment, revitalizing global economies and opening up a new era of innovation and creativity. The benefits however, can only be fully realized when both the concept and the process are widely adopted. By committing to a foreign policy that promotes sustainable development and strengthens those international institutions in which these issues play out, Canada is working to ensure that the future we leave to the next generation is more prosperous, safer and healthier.

5. The World Bank, *World Development Report 1992: Development and the Environment*, Washington, 1992.

6. IUCN/UNEP/WWF, op. cit.

7. UN Secretary-General Boutros Boutros-Ghali, from his message "My message from the United Nations is one of Hope" inserted in *Life*, December 1992.

8. Roche, op. cit., p. 94.

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Over the last several years, the protection of the global environment has increased in importance for Canadians, as it has for citizens of virtually all countries. Canadians feel strongly about the international role that their country plays in helping to care for a fragile world environment, and they expect Canada to do its fair share.

**Global Agenda** is a quarterly bulletin that will discuss how Canadian foreign policy can most effectively deal with global environmental challenges. Each publication will focus on a priority issue for Canada in environmental foreign policy and will profile "policy in action" abroad. Canada's Ambassador for Environment and Sustainable Development will discuss issues on the global environment agenda and report on the work of the UN Commission on Sustainable Development. Periodically, guest articles and book reviews will be included.

The percentage of Canadians citing the "Whole World" as the scope for environmental issues has nearly tripled from 1988 to 1992.

22 %  
(1988)64 %  
(1992)Source:  
The Decima Quarterly Report,  
Summer '92, Decima Research

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• FALL 1993 •

## Environment and Trade: In Pursuit of Sustainable Development

Canadians have a number of priorities when it comes to the environment. They want clean air, water and land and are concerned over the possible danger to human health posed by pollution. They want special spaces and species protected. They understand the benefits of global environmental security. They also want to protect and expand the number of jobs and other economic activity that Canada's export industries generate. And they want to ensure the sustainable use of renewable resources like soil, fish and forests so that the ability of future generations to meet their needs will not be compromised.

Increasingly, trade and trade measures occupy an important position on the environmental agenda. This has meant that the linkages between trade and environmental policies have necessitated closer attention. Many of Canada's greatest environmental challenges have significant economic implications. Notable examples are the need for effective management of fish stocks and the sustainable harvest of forests. But because the natural resources themselves and the environmental impacts of their use cross Canada's borders, solutions

must be developed collectively by the international community.

In many cases, international solutions will be required for environmental problems. Canada is an important trading nation; a full one-quarter of our wealth results from international trade and three million jobs depend on exports. The nature of any of these international solutions is particularly important because this country must trade to survive. Much of our trade is in environmentally sensitive natural resource industries. Questions are frequently raised, for example, by European and American environmental groups about the environmental soundness of Canadian forest management practices.

Therefore, solutions must serve both our trade and environmental interests. We must ensure that trade policies do not encourage environmental degradation or restrict legitimate environmental action and that environmental policies do not unnecessarily limit our trading opportunities. To achieve this delicate balance we must address several questions:

*How can we ensure that trade flows are not disrupted needlessly when governments*



*introduce programs with legitimate environmental objectives? And how can we guard against protectionism disguised by loose environmental objectives?*

*Do current trade rules provide governments, acting multilaterally, the flexibility to address serious environmental problems? If not, can any changes be introduced without opening the door to more trade restrictions than environmental protection necessitates?*

*How can we address the effects of trade liberalization on the environment, and on trade flows, between countries with different levels of environmental protection or enforcement?*

*How best can we deal with the threat of consumer trade bans led by groups that feel products or processing methods are environmentally "unfriendly"?*

Canada has been actively seeking to answer these questions. During the negotiation of the North American Free Trade Agreement (NAFTA), an environmental review was conducted to examine the environmental implications of more open continental trade. NAFTA is

*Continued on page 7*



# Technology Transfer, Co-operation and Capacity Building:

## Building a Relationship between Sustainable Development and Trade

By Arthur H. Campeau, Q.C.

Canada's Ambassador on Environment and Sustainable Development

Vice-Chair to the Bureau of the UN Commission on Sustainable Development

The United Nations Commission on Sustainable Development (CSD) was created to "review and monitor" the implementation of Agenda 21. However, in June 1993, when the Commission met for its first substantive session, international environment ministers clearly indicated that the CSD should also be a results-oriented body. While the CSD is not an implementing agency, it is expected to be forward-looking as countries strive for progress in the implementation of Agenda 21 and other UN Conference on Environment and Development (UNCED) outcomes.

With this mandate, the Commission has identified the relationship of sustainable development and trade policies as an issue not only of growing global interest but also of direct interest to the Commission's current work in the area of technology transfer and capacity building.

At the June 1992 Earth Summit in Rio de Janeiro, the issues of technology transfer were key points of debate. There is now general agreement that the development and transfer of environmentally sound technologies are critical to developing countries as they strive to achieve the transition to a sustainable development path. Rio also identified local capacity building as an indispensable complement to North-South technology transfer. The Commission is seeking effective progress in both these areas.

Specifically, the CSD's Ad Hoc Working Group on Technology Transfer, Co-operation, and Capacity Building will meet in February 1994 to prepare for the second substantive CSD session. Leading up to this meeting, a sequence of workshops and seminars will have been held to closely review these issues and provide recommendations to the CSD Ad Hoc Working Group.

The first seminar, sponsored by the Organization of American States (OAS), was held September 20-21, 1993, and focussed on hemispheric technological co-operation. One of the more intriguing aspects of the meeting was the avowed intention of a number of Latin American and Caribbean countries to aim for a "California level" of environmental regulations - which are some of, if not the strongest regulations in North America - for their intended industrial installations. This was in anticipation of an expanding North American free trade zone within the next decade.

Delegates to the seminar called attention to a number of factors inhibiting the transfer of environmental technologies and proposed methods for their alleviation:

- new funding mechanisms that specifically address technology transfer;
- information centres and networks;
- training programs to develop environmental professionals and managers;

- technical assistance for evaluation and application of technologies; and
- a regional co-ordinating agency for technology transfer.

On October 13-15, 1993 the UN Conference on Trade and Development (UNCTAD) and the Government of Norway hosted a workshop in Oslo on the transfer and development of environmentally sound technologies. The meeting addressed two broad issues identified by UNCTAD's Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer:

- issues involved in the generation, transfer and diffusion of environmentally sound technologies that have an impact on competitiveness and development; and
- policies and measures for the promotion, development, dissemination, and financing of environmentally sound technologies, particularly in developing countries.

As a result of the Oslo meeting, two concrete proposals were made:

1. a new venture capital fund for greenhouse gas mitigation ; and
2. an environmental technology assessment service to be operated out of the Paris office of the UN Environment Program.

Finally, from November 17-20, 1993, representatives from appropriate geographic regions and organizations

*continued on page 7*

## Two Views on Issues of Trade and the Environment

*The trade and environment debate has often been portrayed as a contest between two polarized points of view: those of industry and environmental groups. Are these competing priorities or should they be seen as complementary? For a better understanding of the concerns of both "sides," GLOBAL AGENDA interviewed respected representatives of each. Geoffrey Elliot, Vice-President, Corporate Affairs, at Noranda Forest Inc., and Janine Ferretti, Executive Director of Pollution Probe, responded to a series of questions surrounding this debate. While readers will be left to their own conclusions, our respondents indicated that, despite fundamentally different assumptions, they share many goals and believe that there is good potential for progress. [The views expressed below are those of the interviewees and do not necessarily reflect the opinion of the Department of Foreign Affairs and International Trade.]*



**Geoffrey Elliot,  
Noranda Forest Inc.**

### **Environmental standards and freer trade: complementary or contradictory?**

Both environmental protection and the expansion of international trade are important public policy objectives. I am convinced that the two are indeed complementary. It is not at all necessary to damage the international trade system in order to achieve very real environmental progress at both national and global levels.

Canada is a major trading nation and close to half the goods we

produce are exported. The enormous progress achieved in improving the quality of life of Canadians during the past several decades is directly attributable to the generation of societal wealth through increased exports. Revenue from exports has provided the means to establish and maintain the high personal incomes and generous social policy infrastructure we all take for granted as part of being Canadian. So our policy-makers have a special duty to be extremely cautious about imprudent changes in trade rules that might make it easier for other countries to raise new protectionist barriers against Canadian exports.

Having said that, I believe there is enormous scope for finding international solutions to global environmental problems. The UN Climate Change Convention and the Montreal Protocol are two examples. None of these agreements are perfect, from either an environmental or a trade perspective, but they do represent progress.

### **The evolution of thinking on trade and the environment**

Environment and trade was not an issue five years ago. Today, environmental advocacy groups and some environmental policy

bureaucrats are pressing for changes in international trade rules to exempt trade-distorting measures from challenge if the stated purpose of such measures is to protect the environment. Some even advocate legal recourse to unilateral trade sanctions to "punish" bad environmental performance.

Canada would be a big loser if such changes were implemented because our trade dependence makes us far more vulnerable than the U.S. or the European Community. In the end such changes in trade law would only open new loopholes for U.S. special interests to protect their markets and harass their competitors. Moreover, such rule changes could provide the U.S. and the EC with the means to impose their particular environmental agendas on the rest of the world, a sort of environmental imperialism. Although these proposals for trade law changes originate mainly in the U.S. and Europe, it remains distressing that some naive but respected Canadian environmental groups also support them.

My own view is that Canada should work on two tracks. The first should be to protect the

*Continued*

integrity of the existing trade law contract, which already provides ample scope for individual countries to protect their domestic environments, as well as to challenge foreign measures that are damaging to Canadian economic and trade interests. The second track would be to promote the negotiation of global environmental agreements to resolve global problems. Such agreements should be based on globally agreed standards of environmental protection.

### Challenges facing policy-makers

The greatest challenge is to promote substantial progress toward resolving real global environmental problems (e.g. climate change, ozone depletion, tropical deforestation) without, at the same time, subverting the integrity of the trade system to Canada's disadvantage.

International trade law is more than a set of rules. The GATT is a negotiated contract that provides for the exchange of benefits of real economic value on the basis of reciprocity and mutual advantage. It may be desirable to change some of the rules and practices to introduce a higher level of transparency in certain GATT processes. But an important test of any changes is to examine where the burden of compliance with any new rules will fall. If new rules are proposed that create an uneven burden or advantage among contracting parties, this will risk unravelling the overall balance and reciprocity in the trade contract and require fundamental renegotiation of GATT trade concessions. It seems to me that it would be in Canada's best interests to ensure that this does not happen.

### Areas for progress

I am confident progress will be made. There are important environmental problems that need to be dealt with, and I believe there is a political will to resolve them. It would be useful for all concerned to acknowledge that. The other prerequisite for real progress is the need for participants to jettison the sanctimonious hierarchy of virtue which attaches a higher level of virtue to environmental progress than to economic progress. Both are critical to ensuring the quality of life of Canadians. Implicit in all this is the particular vulnerability of Canada and Canadians if this is not done right. Limited available resources have to be assigned first to the most important problems. Secondly, a conscious effort has to be directed at finding solutions that provide net benefit to Canadians, taking into account both environmental and economic costs. 



**Janine Ferretti,  
Pollution Probe**

### Environmental standards and freer trade: complementary or contradictory?

The protection of the environment and sustainability of life is far more important than any other aspect of human activity. Nonetheless, this doesn't mean that trade or environmental protection has to be done to the exclusion of the other. There's enough room to ensure that trade is done in a fair and equitable manner that doesn't degrade the environment. That certainly is the window of opportunity and area of focus where people concerned with trade and those concerned with the environment can come together.

That being said, one of the most fundamental concerns of environmentalists is the possibility that trade agreements will constrain the setting of environmental standards by various jurisdictions. We know that the secret to environmental progress has been the leapfrogging that has occurred among different jurisdictions. We often need to look at where the innovations are occurring in other countries, provinces and states. The concern is that trade agreements will dampen that leapfrogging, either by forcing standards down to the lowest common denominator or, even more likely, in a kind of chilling of

progress. The challenge is to ensure that efforts to put fairness in the trading regime don't inadvertently or intentionally impede environmental progress. That's a real concern. Just as people with trade interests are concerned that protectionism will be cloaked in environmental garb, environmentalists are concerned that anti-environmental interests are cloaking themselves in free trade garb.

### **The evolution of thinking on trade and the environment**

We feel there is an area where trade interests and environmental interests can come together to work out policies that are not damaging to the environment and at the same time ensure there is an opportunity for trade in a positive manner, trade which contributes to sustainable development. Nothing really can happen on Earth unless there is sustainability of life, unless we can find economic systems and activities that nurture and protect the environment and therefore ensure that people can go on living prosperous and productive lives. Unless we have that environmental base there, we won't have anything. That's why it's not just more important, but fundamental, that there be environmental protection and a life-sustaining environment. Once you have that, then you can go on and build economic and human activities. Any trade that degrades the environment is threatening not just the environment but the livelihood of people and societies. Surely that runs counter to what we as a society are engaged in.

### **Challenges facing policy-makers**

The greatest challenges are to operationalize some of the assumptions and principles that people have been using. For example, there is some level of recognition that in order for trade to have less environmental impact, not only do trade agreements have to have environmental safeguards, but prices of goods and services being traded need to reflect full environmental and social costs. One of the biggest challenges is to incorporate such full-cost accounting. Unless prices adequately reflect the internalized costs, there will be a significant detrimental effect.

The other related challenge is to recognize the imperative of environmental protection and act upon it. There are some things we cannot afford to lose at any cost, such as biodiversity or the protection that the ozone layer offers. The notion of trade-offs is not very useful in the context of trade and the environment. Preserving the planet and the people who live on it are the priority. Public surveys are showing that despite the recession, environmental concerns are still there, they are just temporarily being eclipsed by economic concerns. There is room to ensure that as much as possible environmental and economic priorities can be met simultaneously. There is a lot of room for that. Ground that hasn't been covered yet. But at some point in time we come to the point of imperatives. That's when the first priority must be the survival of the planet.

### **Areas for progress**

We are certainly on the road where people in the environmental and trade communities are able to recognize and understand each other's language and priorities. But at the end of the day there will be some conflict of interest, which will not be readily removed. What needs to happen is to clearly mark the area of discussion, which is the well-being of people and other inhabitants of this planet. That well-being requires that some economic and environmental priorities need to be met. The challenge is to identify how those priorities and needs can be met in a mutually supportive manner. When they cannot be, then at the end of the day, when the issue really is an environmental issue that is fundamental to the survival of the planet, then that imperative must guide the development of trade policy.

At a more practical level, the issue is one of full-cost accounting. We have to start embarking on this route and drop the excuse of waiting until we have all the details right. It's a difficult thing to do, but unless we start somewhere, we'll never get there. I think the first step has to be to move into the application of full-cost pricing, perhaps on a sector-by-sector basis, recognizing the fact that there are some things that cannot have a price tag attached to them. We need to start tackling trade and environment issues at that level and not just the level of theory. The Organization for Economic Co-operation and Development, to its credit, has made some headway on moving to the practical level. 

# The NAFTA Environmental Review Process

## Purpose of Environmental Reviews

Long utilized to improve planning and decision making related to projects, environmental reviews are now an important tool for ensuring that environmental concerns are given early consideration in the formulation of government policies.

Policies can rarely be subjected to the same type of quantitative and predictive analyses that are associated with the assessment of projects. However, while environmental reviews of policies differ from those of projects, the fundamental purpose remains the same: to ensure the systematic consideration of environmental factors throughout the planning and decision-making stages.

## The NAFTA Environmental Review Committee

The NAFTA is the first trade agreement to undergo an environmental review. The review process examined concerns related to the potential environmental effects of the Agreement from four different perspectives: first, the implications of the NAFTA provisions of particular relevance to environmental concerns; second, the potential impact of the NAFTA on Canada's environment; third, concerns that Canadian industry could migrate to take advantage of less stringent environmental regulations elsewhere; and

fourth, the mechanisms that would permit the relationship between trade and the environment to continue to be addressed following the signing of the NAFTA.

Responsibility for conducting the review was assigned to an interdepartmental NAFTA Environmental Review Committee. As provided for in their mandate, Review Committee representatives collected and reviewed literature from both Canadian and foreign sources, consulted with provincial and non-government representatives, interviewed U.S. and Mexican officials, and met regularly with key members of Canada's NAFTA negotiating team. In addition, the Review Committee continuously reviewed the evolving draft of the NAFTA and provided input for Memoranda to Cabinet on the environmental content of the negotiations.

## Consultations with Provincial and Non-Government Representatives

Input from provincial and non-government representatives was actively sought throughout the negotiations. Consultations were held with the Federal-Provincial Committee on the NAFTA (CNAFTA), members of the International Trade Advisory Committee (ITAC) and the 15 Sectoral Advisory Groups on International Trade (SAGITs). In addition, three special

sessions were organized with representatives of the business, environment, labour and academic communities.

Environmental organizations were particularly active in contributing their views, both orally during the special sessions and in subsequent written submissions.

The consultations provided an ongoing opportunity to consider Canada's environmental priorities for the NAFTA and to discuss the nature and scope of the environmental review.

Information gained during meetings with provincial and non-government representatives greatly assisted the Review Committee in identifying the major environmental concerns that needed to be addressed in both the NAFTA negotiations and the environmental review.

## Consultations with the NAFTA Negotiators

A key aspect of the environmental review process was open and frequent access by Review Committee members to all levels of Canada's NAFTA negotiating team. Review Committee meetings with the negotiators had four principal objectives: to obtain detailed information and analyses on the issues, options and provisions under negotiation; to provide an initial screening for potential environmental implications of the Agreement; to heighten the negotiators' awareness of

*continued on next page*

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environmental concerns; and to discuss the potential environmental effects of the different negotiating options.

## Conclusions

The process associated with the NAFTA environmental review provided clear evidence of the benefit of taking environmental considerations into consideration at every stage of the negotiations. Frequent and substantive contact between the Environmental Review Committee and both environmentalists and the negotiators played a critical role in optimizing the environmental content of the NAFTA and in ensuring that the full range of environmental concerns was addressed in the environmental review.

The NAFTA environmental review process has established a benchmark which may serve for future negotiations.



**Technology Transfer** *continued from page 2*

met in Cartagena, Colombia, to discuss a general strategy for promoting technology transfer. The seminar, co-sponsored by Colombia and the United States, focussed on technology, co-operation and capacity building, as well as the development of a model for use at the February intersessional meeting of the CSD Ad Hoc Working Group.

The focus of the discussions was on problem solving - from diagnosis to remedy - with the goal of prevention of environmental damage and the promotion of sustainable development. Canada is seeking to ensure that the CSD Ad Hoc Working Group takes the same pragmatic approach, with a substantial focus on exchanges between technocrats and practitioners, with respect to experiences in transferring technologies in a number of specific sectors.

Technology transfer, co-operation, and capacity building are central issues in the CSD's efforts toward sustainable development and the growing relationship between environment and trade policies. Workshops and seminars such as

these provide the opportunity for Canada to demonstrate strength and leadership by moving the agenda forward and helping to craft the results. They also provide the opportunity to present Canada's consultative problem-solving methods to colleagues from other nations.

Environmental remediation and protection, and technologies that minimize or alleviate the environmental impact of various production methods are issues of growing importance in the relationship between environmental and trade policies. They are also the basis of the rapidly expanding environmental goods and services sector.

Canada is committed to being a leader in this area, especially in the development of environmentally sound technologies and innovative solutions to environmental and development challenges. Canada will actively participate in the Commission's work on technology transfer, co-operation and capacity building, especially as it relates to the relationship between sustainable development and trade.



**Environment & Trade** *continued from first page*

the first international trade agreement to refer to the environment, and its "side agreement", the North American Agreement on Environmental Cooperation, promotes improved domestic enforcement and enhancement of environmental standards in all three countries.

On another front, much effort has been devoted to achieving international consensus on the definition of sustainable forest practices. From a trade perspective, an international convention that secures such a definition will help Canadian forest products overcome market access threats resulting

from consumer boycotts and foreign regulations and labelling programs.

In addition to our independent efforts, Canada is pursuing these very important issues in many international organizations. Most noteworthy are discussions at the Organization for Economic Cooperation and Development and the General Agreement on Tariffs and Trade where the underlying policy questions and their relationship to the international trading system are under active discussion.



# GLOBAL AGENDA

CANADA'S FOREIGN POLICY AND THE ENVIRONMENT

• FALL 1993 •

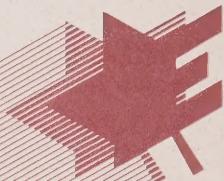
## Environmental Industries Sector

The world market for environmental products and services was estimated to be about US\$275 billion in 1991. This figure is expected to exceed US\$400 billion by the end of the decade. The Canadian market accounts for about 3 percent of the world market and is expected to grow 10 percent per year over the next few years. Currently, there are over 350 Canadians firms actively exporting either environmental products or environmental services, and as many as 1200 firms have export potential.

Rescan Consultants Inc., a 1993 Canada Export Award Winner, is one Canadian firm offering environmental consulting services such as environmental audits and site assessments, waste management planning, occupational health and safety, oceanographic services, and hazardous waste treatment.

Founded in 1981, Rescan has international clients that include resource companies, governments, international corporations and financial institutions in Chile, Peru, Brazil the United States, Turkey, Indonesia and the Philippines, to name a few countries.

*"The respect Canadian corporations enjoy in the international marketplace provides us with a competitive edge," said Rescan's Vice-President.*



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